

**DEPARTMENT OF STATE REVENUE**

**LETTER OF FINDINGS NUMBER: 99-0492P**

**Use Tax**

**Calendar Years 1996, 1997, and 1998**

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**ISSUE(S)**

I. **Tax Administration** – Penalty

**Authority:** IC 6-8.1-10-2.1(d); 45 IAC 15-11-2

Taxpayer protests the penalty assessed.

**STATEMENT OF FACTS**

Taxpayer specializes in software and systems development that provides real time software and methodologies for a wide variety of clients. Taxpayer has one location in Indiana and has been in business for over twenty years.

Upon audit, it was discovered that the Taxpayer failed to self-assess and remit use taxes on clearly taxable items and had no use tax accrual system in place.

1. **Tax Administration** – Penalty

**DISCUSSION**

Taxpayer's audit report revealed that no use tax accrual system was in place although the taxpayer was registered with the Department.

Taxpayer requests the department waive its negligence penalty because it was its first sales tax audit and the error has since been corrected. Taxpayer also states that it operated without a controller for part of 1997 and 1998 and it was not aware of the sales tax regulations.

Taxpayer made no attempt to self assess use tax on taxable purchases although it is registered with the State. In addition, the ST103 has a line on which to report the use tax due. Taxpayer should have been aware of use tax regulations.

**FINDING**

Taxpayer's protest is denied.